

**Paragon Village
Hackettstown (Mt. Olive Township), Morris County
HMFA #1316/ALR #33**

Updated November 25, 2013, 3:00 p.m.

QUESTIONS AND ANSWERS

Subsequent to the Agency's posting and publishing of its Request for Offers to Purchase for the Sale of Real Property: Paragon Village, issued on October 21, 2013, the Agency received questions from members of the public. In accordance with the procedures set forth in Section 6.0 of the RFOTP, the questions and the Agency's answers are provided as follows:

1. Question: What are the procedures for arranging for and conducting site visits?

Answer: Procedures for site visits, under Section 3.0 of the RFOTP, will be as follows:
 - a. Hours of Inspection- 9:00am to 4:00pm, Monday through Fridays (except holidays) without exception.
 - b. The Agency is to receive requests and email those requests to the executive director and marketing director at the property. These two individuals will directly communicate with the interested party and coordinate a date and time for the visits.
 - c. During the tour of the premises, the purpose is exclusively to inspect the physical plant of all three buildings. The representatives of Paragon Village are not to speak to questions about operations, census, charges, revenue, margins, etc. The interested parties must acknowledge, in advance of their visit, that they are not to question staff, residents or visitors during the tours. Any and all questions about operations must be sent in written form as provided in Section 6.0 of the Request for Offers to Purchase. Answers will be provided as that section provides.
 - d. For the continuity of operations if any touring parties violate these procedures, the person directing the tour can terminate the tour, ask the offending person(s) to leave the premises, and forward the circumstances to the Agency for further actions as deemed necessary.
2. Question: Can the deadlines provided throughout the RFOTP be extended to allow more time to arrange for site visits, consider the material and submit an offer?

Answer: Each of the deadlines contained in the RFOTP has been extended two (2) weeks under an Addendum to Request for Offers to Purchase for the Sale of Real Property: Paragon Village, issued by the Agency on November 6, 2013 ("RFOTP Addendum"). The RFOTP Addendum can be downloaded from the Agency's website at the same location this Q&A is available.
3. Question: (Via email from various parties, combined and summarized for the purposes of this Q&A)
Will the Agency provide the following documents and/or information as follows?:

- Last 2 years state surveys and plans of correction and any complaint reports and community responses;
- Last 3 years of average annual occupancy by unit type (i.e. number of independent living units occupied, number of assisted living occupied and number of memory care occupied);
- Last 3 years of audited financials (unaudited works but audited is preferred);
- Detailed Monthly Financials – Most recent Trailing 12, 2012 & 2011 (in excel if possible);
- Historical Occupancy (monthly), last 2 years;
- Income Statements for last 3 years and monthly for trailing 12 months through (most current month);
- Occupancy history (# of patient days by payor type) for last 3 years and monthly for trailing 12 months through (most current month);
- Actual capital expenditures for last 3 years and monthly for trailing 12 months through (most current month);
- Facility balance sheet for the previous 2 years;
- Please list any material non-recurring revenues and expenses over the past 2 years and current year-to-date;
- Provide a schedule of any defaults on contracts, loans, leases, and agreements over the past 2 years

Answer: As stated in the RFOTP, the Agency acquired title to the Property that is the subject of the RFOTP on December 31, 2012. From 2001 to that date, the Agency did not receive regular or accurate monthly operating reports, annual audited financial statements or other information identified in the document/information requests above. The Agency does not consider any such information received for that time period to be reliable. Accordingly, the Agency is not in a position to provide meaningful operating information reflective of any time period prior to January 1, 2013. For this reason, a Procedures Letter prepared by Clifton Larsen Allen is attached to the RFOTP. The Procedures Letter reconciled, among other things, Paragon's beginning balance sheet as of January 1, 2013 with the limited information made available to NJHMFA prior to the Acquisition Date.

The Agency will respond to other document/information requests not addressed by this Answer by separate Answers in this Q&A and by posting a link to documents that can be downloaded from the Agency's website at the same location this Q&A is available.

4. Question: Is it accurate to say that no property tax expenses appear in the financials included in the RFOTP?

Answer: Yes.

5. Question: What has the town indicated a new buyer would have to pay in property taxes going forward?

Answer: According to Township officials, the 2014 assessed value (AV) is \$15,138,300. The estimated tax rate is \$3.061/100. The estimated annual tax is approximately \$463,383.

6. Question: Which months in 2013 will have three payrolls?
- Answer: The months of May and October of 2013 include 3 payrolls.
7. Question: Is the Hospicomm fee \$12,500/month?
- Answer: Yes.
8. Question: Do the interim financials included in the RFOTP include a management fee expense?
- Answer: No. Management fees are reflected in Hospicomm's fees.
9. Question: What benefits are provided to employees currently (e.g. health insurance? PTO? Others?)?
- Answer: Employer-sponsored healthcare benefits and a PTO option are available to employees. Not all employees participate.
10. Question: Are billing and collections done on-site by facility employees, in the corporate office, or off site by a third party?
- Answer: All billing and collections functions are performed on-site by employees.
11. Question: Can any of the expenses included in the facility financials be attributed to corporate overhead?
- Answer: No. There are no corporate overhead expenses included in the financials.
12. Question: Are there any contracts or agreements that cannot be cancelled with 30 days notice?
- Answer: With the exception of utilities, all contracts can be terminated with 30 days notice.
13. Question: Since we have not yet decided as to which entity we would like to name as The Purchaser, we would like to submit the offer in the name of (individual's name redacted). We would of course provide you with his personal financial statement and his personal overview (i.e. resume). Please advise if that would be acceptable so that we can begin the process of assembling the information necessary to meet the Offer Requirements.
- Answer: The Agency is not in favor of this approach. An entity should be used at the offer stage, so you can disclose to the Agency all of the members/partners/shareholders of the offering entity as well as officers. Note that these disclosures must be made several times within the documents included within the RFOTP as ATTACHMENT #4. The information an offeror will provide in these disclosures must be known by the Agency at the time offers are evaluated to determine the status of the offeror and compliance with State law under Section 7.0 of the RFOTP.

UPDATE AND AMENDMENT TO ANSWER #2, ABOVE:

In order to permit interest parties sufficient time to review documents recently posted in response to numerous requests, and to consider recent answers to questions, the deadlines contained in the RFOTP for document requests, submission of questions and submission of Offers have been extended by way of a Second Addendum to Request for Offers to Purchase for the Sale of Real Property: Paragon Village, issued by the Agency on November 25, 2013 ("RFOTP Second Addendum"). The RFOTP Second Addendum can be downloaded from the Agency's website at the same location this Q&A is available.